



## **Pirelli & C. S.p.A.**

**Milan - Viale Piero e Alberto Pirelli, 25**

**Share Capital 1,904,347,935.66 euro**

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### **Information Document**

#### **Three-year monetary incentive plan for Pirelli's Group management**

**(cycle 2021-2023)**

Prepared pursuant to the combined provisions of Article 114-*bis* of Legislative Decree 58/1998 and Article 84-*bis*, paragraph 1, of Consob Decision no. 11971 of 14 May 1999, as subsequently amended and supplemented.

## INTRODUCTION

This document (the “**Information Document**”) is prepared pursuant to the combined provisions of Article 114-*bis* of Legislative Decree 58/1998 (“**TUF**”) and Article 84-*bis*, paragraph 1, of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999, as amended and supplemented (“**Issuers’ Regulation**”), as well as on the basis of Scheme no. 7 of Annex 3A of the Issuers’ Regulation, corresponding sections being identically numbered.

The Information Document is available to the public at the registered offices of Pirelli & C. S.p.A. (“**Pirelli & C.**” or the “**Company**”) - in Milan, Viale Piero e Alberto Pirelli 25 - on the website of Pirelli & C. ([www.pirelli.com](http://www.pirelli.com)), and on the authorised emarket storage ([emarketstorage.com](http://emarketstorage.com)) mechanism in accordance with legal requirements, pursuant to applicable laws and regulations.

The object of the Information Document is the Long-Term Incentive Plan for the period 2021-2023 for Pirelli Group’s Management (“**2021-2023 LTI Plan**”), approved by the Board of Directors of Pirelli & C. on 31 March 2021 and, pursuant to Article 114-*bis* of TUF, submitted for approval to the Shareholders’ Meeting called for 15 June 2021 (on a single call), insofar as it is also based on the market performance of Pirelli shares as described hereunder. Starting from the LTI Plan of the three-year cycle 2020-2022, included in the 2020 Remuneration Policy approved by the Shareholders’ Meeting of 18 June 2020 (“**2020 Policy**”), the Company introduced a “rolling” mechanism concerning medium-long term incentive plans. On applying it, the Board of Directors of Pirelli & C. defined, on 31 March 2021, the 2021-2023 LTI Plan objectives, linked to achieving the Strategic Plan targets for the 2021-2023/2025 period (“**2021-2022/2025 Strategic Plan**”), with no change to the remaining part of the incentive plan structure.

The 2021-2023 LTI Plan - according to the combined provisions of Article 114-*bis*, paragraph 3, TUF and Article 84-*bis*, paragraph 2, of the Issuers’ Regulation – is to be considered as having “particular importance” in that it regards, among others, the Executive Vice Chairman and Chief Executive Officer of Pirelli & C., the Deputy-CEO (once appointed by the Shareholders’ Meeting <sup>1</sup>), and individuals with strategic responsibility in the issuer.

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<sup>1</sup> The Board of Directors of 31 March 2021 approved the proposal to invite the Shareholders’ Meeting scheduled for 15 June 2021 to appoint Giorgio Luca Bruno as Director of the Board, for the purpose of allowing the Board of Directors to appoint him as Deputy-CEO.

Given that the 2021-2023 LTI Plan is monetary, and makes no provision for granting shares or options on share or other securities, but solely a cash award partly linked to the stock market performance of the ordinary shares of Pirelli & C, having regard to a selected sample of companies operating in the Tyre industry, the Information Document does not include the prescribed information on arrangements for awarding shares or share options or other financial instruments.

## DEFINITIONS

To facilitate the comprehension and reading of the Information Document, a glossary is provided below that lists a number of recurrent terms not previously defined:

***Directors holding specific offices:*** these are the Directors of Pirelli & C. holding the office of Chairman, Executive Vice Chairman and Chief Executive Officer and the Deputy-CEO. The Directors holding specific offices in other Group companies, who are also managers, are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and, unless otherwise resolved by the Board of Directors of Pirelli & C. which classifies them as KM.

***Annual Total Direct Compensation on-Target:*** means the sum total of the following components, regardless of whether they were disbursed by Pirelli & C. or by another Group company:

- (i) gross annual base salary of the remuneration;
- (ii) annual variable short-term incentive (STI), if target objectives are achieved;
- (iii) medium-long term variable component comprising:
  - a. annual value of the long-term incentive (LTI) plan if multi-year target objectives are achieved;
  - b. pro quota value of the STI accrued and deferred, to be paid if the underlying conditions are met;
  - c. an additional value of an equal or higher amount in respect of the pro quota of the STI accrued and deferred, to be paid if the underlying conditions are met.

***Remuneration Committee:*** the Remuneration Committee of Pirelli & C.

**Board of Directors:** the Board of Directors of Pirelli & C.

**General Manager(s):** the persons chosen by the Pirelli & C. Board of Directors to be assigned extensive powers of business segment management. The subjects holding the office of General Manager in other Group companies are, for the purpose of the Policy, Executives or Senior Managers, depending on the role held and unless otherwise resolved by the Board of Directors of Pirelli & C., which classifies them as KM.

**KM:** executives, chosen by the Pirelli & C. Board of Directors in accordance with the procedure confirmed and adopted by Board resolution passed on 22 June 2020, having the power or responsibility for planning, directing and controlling the Company's activities or the power to make decisions that can impact its evolution or future prospects and, more generally, those of Pirelli. In accordance with the procedure, in any case all employees holding the following positions must be classified as KM: (i) General Manager; (ii) Executive Vice President; (iii) Manager responsible for the preparation of financial and corporate documents; (iv) Company Secretary.

**Executives:** managers of the Italian companies or employees of the Group's foreign companies with a position or role that is comparable to that of an Italian manager.

**Pirelli Group or Pirelli or Group:** all the companies included in the Pirelli & C. consolidation scope.

**Management:** means all Directors holding specific offices, General Managers, KM, Senior Managers and Executives.

**2020-2022 LTI Plan:** means the Long-Term Incentive plan for the three-year period cycle 2020-2022, in support of the achievement of the new objectives set by the 2020-2022 Strategic Plan and approved by the Board of Directors on 19 February 2020 and subsequently by the Shareholders' Meeting held on 18 June 2020, as subsequently modified by the Board of Directors on 31 March 2021 (amendment submitted to the Shareholders' Meeting scheduled for 15 June 2021).

**2020-2022 Strategic Plan:** means the business plan approved by the Pirelli & C. Board of Directors on 19 February 2020.

**GABS (gross annual base salary):** the gross annual base salary of the compensation for those employed by a Pirelli Group company.

**Senior Managers:** means the persons to whom the following shall first report, except where they are KM, (i) Directors holding specific offices to whom specific duties have been attributed and (ii) General Managers, where the work of the Senior Manager significantly impacts business results.

**Company or Pirelli & C.:** Pirelli & C. S.p.A.

**STI:** means the annual variable component of remuneration that can be achieved if the predefined corporate objectives are achieved.

**Top Management:** means all Directors holding specific offices, General Managers and KM.

## 1. BENEFICIARIES OF THE PLAN

### **1.1 List of named beneficiaries who are members of the Board of Directors of Pirelli & C., of the parent companies of Pirelli & C. and of the direct or indirect subsidiaries of the latter.**

The 2021-2023 LTI Plan is extended to Top Management – except for the Chairman – and, except in specific cases, to all Executives whose grade, determined with the Korn Ferry method, is equal to or above 20. It is also assigned to those who, during the three-year period of the 2021-2023 LTI Plan join the Group and/or assume, due to internal career progression, the position of Executive. Where this happens, participation is conditional on participating in the 2021-2023 LTI Plan for at least a full financial year and the incentive percentages are adjusted to reflect the number of months of actual participation in the 2021-2023 LTI Plan.

At the date of the Information Document the beneficiaries of the 2021-2023 LTI Plan are, among others:

- the Executive Vice Chairman and Chief Executive Officer Marco Tronchetti Provera;
- the Director Giovanni Tronchetti Provera (in his capacity as Senior Manager of the Group);
- in case of appointment as Deputy-CEO, Giorgio Luca Bruno, will benefit *pro rata temporis* of the 2021-2023 LTI Plan with effect from the date on which he will be appointed as Director by the Shareholders' Meeting and Deputy-CEO by the Board of Directors (the “**Date of Taking the Office of Deputy-CEO**”)
- the General Manager Operations Andrea Casaluci;
- the KM.

Given that the 2021-2023 LTI Plan extends to Group Executives in general, the plan beneficiaries will also be the directors of the subsidiary companies of Pirelli & C. (controlled by it either directly or indirectly) who are at the same time Group Executives. It follows, therefore, that said individuals are 2021-2023 LTI Plan beneficiaries only because they are part of the Group Management (and not in their capacities as Directors of Group companies or parent companies). Indeed, none of the 2021-2023 LTI Plan beneficiaries are such by virtue of being directors of Group Companies.

With reference to the Board Director of Pirelli & C. Giovanni Tronchetti Provera, note that he is a beneficiary of the 2021-2023 LTI Plan, not as a member of the Board of Directors but as Senior Manager of the Group.

### **1.2 Categories of employees or non-employee personnel of Pirelli & C. and of the parent companies or subsidiaries of Pirelli & C.**

As noted in the previous section 1.1, the 2021-2023 LTI Plan is open to Group Executives in general and may also be extended to those who join the Group during the 3-year period and/or assume the position of Executive due to internal career progression.

Accordingly, in addition to the Executive Vice Chairman and Chief Executive Officer and the Deputy CEO of Pirelli & C. (the latter *pro rata temporis* with effect from the Date of Taking the Office of Deputy-CEO), the 2021-2023 LTI Plan beneficiaries are those personnel who are employees of Pirelli & C. or of its direct or indirect subsidiaries inside or outside Italy and are included in one of the following categories:

- employees who are managers of Pirelli & C.;

- employees who are managers of one of the Italian subsidiaries of Pirelli & C.;
- employees of subsidiaries of Pirelli & C. whose registered office is located outside Italy and who hold a position or role that is equivalent to that of an Italian manager given the title of Executive.

The 2021-2023 LTI Plan does not include any Group's consultants.

As of the date of the Information Document, in addition to the Executive Vice Chairman and Chief Executive Officer of the Company Marco Tronchetti Provera, the Director Giovanni Tronchetti Provera (as Senior Manager), the General Manager Operations Andrea Casaluci and the KM, 248 employees are beneficiaries of the 2021-2023 LTI Plan due to their position of Executive in the Group, of which 77 due to their managerial employment contract with Pirelli & C. and the remaining 171 due to their role as Executive in one of the Group companies (in Italy or abroad) other than Pirelli & C.<sup>2</sup>.

### **1.3 List of named plan beneficiaries belonging to the following groups:**

#### **a) General Managers of Pirelli & C.**

The General Manager Operations Andrea Casaluci is a beneficiary of the 2021-2023 LTI Plan.

#### **b) other Managers with strategic responsibility of Pirelli & C. who during the financial year have received aggregate compensation (the sum of cash compensation and financial instrument-based compensation) that is greater than the highest aggregate compensation assigned to members of the Board of Directors.**

None of the KM of Pirelli & C. received aggregate compensation during the financial year that is greater than the highest aggregate compensation assigned to the members of the Board of Directors and, in particular, than that assigned to the Executive Vice Chairman and Chief Executive Officer of Pirelli & C.

#### **c) natural persons who control Pirelli & C. that are employees or who work as non-employees of Pirelli & C.**

Not applicable (Pirelli & C. is controlled by China National Chemical Corporation Limited).

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<sup>2</sup> In case of appointment, the Deputy-CEO will participate to the 2021-2023 LTI Plan *pro rata temporis* with effect from the Date of Taking the Office of Deputy-CEO.

**1.4 Description and number, broken down by category:**

**a) of Managers with strategic responsibility other than those indicated under item 1.3(b)**

The KM of Pirelli & C., who on the date of adoption of the 2021-2023 LTI Plan are 7 (in addition to the General Manager Operations), are beneficiaries of the 2021-2023 LTI Plan.

**b) in the case of “smaller” companies, pursuant to Article 3(1)(f) of Regulation no. 17221 of 12 March 2010, indication as an aggregate of all Managers with strategic responsibility of the issuer of financial instruments.**

Not applicable.

**c) any other categories of employees or non-employee personnel for whom the plan envisages different characteristics (e.g. managers, middle management, white-collar employees, etc.).**

The incentive scheme under the 2021-2023 LTI Plan is the same for all the beneficiaries (as described in section 2.2), though there are differences in the percentage level of the incentive awarded. In fact, in accordance with the provisions in the 2020-2022 LTI Plan (and in application of the “rolling” mechanism), this percentage level increases according to the role concerned and considering the benchmarks applicable to each role in terms of Annual Total Direct Compensation on-Target.

**2. REASONS FOR ADOPTION OF THE PLAN**

**2.1 Objectives to be achieved through grant of the plans.**

The 2021-2023 LTI Plan was adopted by the Board of Directors on 31 March 2021, with performance objectives related to the objectives of the 2021-2022/25 Strategic Plan approved by the Board of Directors on the same date and in line with best practices for listed companies.

The 2021-2023 LTI Plan is coherent with the Remuneration Policy for financial year 2021, adopted by the Board of Directors of Pirelli & C. on 31 March 2021 and subject to the approval of the Shareholders' Meeting (the “**2021 Policy**”). In general, the 2021 Policy aims to attract, motivate and retain human resources with the professional standing required to pursue the business objectives. In addition, through the multi-year variable components assigned, in particular, to the Executive Vice Chairman and Chief Executive Officer, Deputy-CEO, General Managers, KM, Senior Managers and Executives, it aims



to achieve long-term interests, contributing to the achievement of strategic objectives and the sustainable success of the Company, as well as aligning the interests of Management with those of shareholders.

The targets set in the 2021-2023 LTI Plan represent a performance consistent with the corresponding targets disclosed to the market. In particular, the objectives for obtaining the incentive at “access threshold” level are set as equal to the value disclosed to the market (net of the sustainability objectives).

The 2021-2023 LTI Plan implements the second LTI Plan cycle, based on the “rolling” mechanism already included in the 2020 Policy structured on three-year performance periods (cycles) that start each year, with the definition of performance indicators and related objectives. The “rolling” mechanism allows performance indicators to be aligned, for each new cycle, with market changes and the company’s strategic objectives which could be revised from year to year.

***2.2 Key variables, including the performance indicators, used to attribute the financial instrument-based incentive plans.***

***2.3 Underlying elements in determining the amount of financial instrument-based compensation, or the criteria for determining it.***

Management remuneration has three main elements:

- gross annual base salary (GABS);
- STI annual variable component: designed to reward the beneficiary's performance in the short term, motivating Management to achieve the Company's annual objectives; it is set as a percentage of the base salary, with percentages that rise in relation to the role held by the beneficiary and taking into account the reference benchmarks of each role. If the target objectives are achieved this percentage can range from a minimum of 15% for Executives up to a maximum of 125% for the Directors holding specific offices to whom further specific duties have been attributed and is designed to reward, according to the role held, the short-term performances of the Group, Company and/or Business Unit/Region/department to which the person belongs. A maximum limit is applied to the STI obtainable and is set at twice the incentive obtainable at the target level.

To support the continuity of results over time, for General Managers and KM part of the STI accrued, from a minimum of 25% to a maximum of 50%, is deferred, with a view to

retention, and disbursed at the end of a three-year period subject to the continuation of the employment relationship and together with a company matching component which can vary from a minimum of 1 time to a maximum of 1.5 times the amount of the deferred STI. For the rest of Management, on the other hand, the payment of 25% of any accrued STI is deferred to the next year, payment being subject to the accrual of the STI bonus relative to the next year (and therefore its payment is potentially at "risk"), in addition to a possible increase of an equal amount with respect to the value of the accrued and deferred STI, depending on the achievement of the STI objectives, at least at target level. To calculate the Annual Total Direct Compensation on-Target, this deferral and mark-up component is classified as a medium-long term variable component.

- medium-long term variable component (LTI): composed of LTI incentive plans linking Management remuneration to the Group's medium-long term performances, and of the aforementioned deferral and mark-up component of the STI.

Also the 2021-2023 LTI Plan is based on cash, excluding any provision for shares or share options, and delivers a medium-long term incentive set as a percentage of the gross annual base salary/GABS. Applying the rolling mechanism, the 2021-2023 LTI Plan confirms the three-year incentive percentages set forth in the 2020-2022 LTI Plan which, as of 2021, are re-proportioned on an annual basis and, if targets are achieved, are within a range from a 15% minimum for Executives to a 70% maximum for Directors holding specific offices to whom further specific duties are attributed. There is a maximum limit to the incentive that can be achieved if all the maximum performance objectives are achieved and it ranges from a 40% minimum for Executives to a 200% maximum for Directors holding specific offices to whom further specific duties are attributed.

In addition, the following types of objective have been set, all independent of each other, and their weights:

- cumulative Group Net Cash Flow (before dividends), with weight of 40% of the total LTI bonus at target level;
- Group Total Shareholder Return ("TSR") relating to a panel of "peers" (TIER1: Continental, Michelin, Nokian, Goodyear, and Bridgestone), with a weight of 40% at target level;
- two Sustainability indicators: Dow Jones Sustainability World Index ATX Auto

Component sector and CDP Ranking, each with a weight of 10% at target level. For all objectives there is a minimum value (“access threshold”) associated with payment of an incentive of 75% of the incentive achievable at target level. In reference to each objective, if the minimum value (“access threshold”) set is not achieved, the beneficiary accrues no right to the payment of the related incentive share. The 2021-2023 LTI Plan objectives that apply equally to the various managerial grades, together with their respective weightings at the target level, are tabulated below.

Objective	Weighting at the target level
Cumulative Group Net Cash Flow (before dividends)	40%
“Relative” TSR with respect to a selected panel of peers	40%
Dow Jones Sustainability World Index ATX Auto Component sector	10%
CDP ranking	10%

Regarding the TSR and cumulative Group Net Cash Flow (before dividends) objectives, for intermediate results ranging between the “access threshold” value and the target, or between the target and the maximum value, performance will be calculated by linear interpolation, unlike the Sustainability objectives which will be calculated in just three steps: “access threshold”, target and maximum, without considering intermediate performances. Further information regarding performance levels and thresholds and targets are contained in the remuneration report prepared and submitted to the vote of Pirelli & C. Shareholders, pursuant to Article 123-ter, paragraphs 3 and 6, TUF.

With regard to the TSR objective, the 2021-2023 LTI Plan provides the option to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021.

***2.4 Reasons for any decision to grant compensation plans based on financial instruments not issued by Pirelli & C., such as financial instruments issued by subsidiaries or parent companies or by other, non-group, companies; if these financial instruments are not traded on regulated markets, information about the***

***criteria used to determine the value attributable to them.***

Not applicable.

***2.5 Considerations in regard to material tax and accounting implications that affected definition of the plans.***

There are no tax and accounting implications that affected definition of the 2021-2023 LTI Plan.

***2.6 Any support for the plan from the Special Incentive Fund for worker participation in businesses, pursuant to Article 4 (112) of Law 350 of 24 December 2003.***

Not applicable.

### **3. APPROVAL PROCEDURE AND TIMING REGARDING THE ASSIGNMENT OF INSTRUMENTS**

***3.1 Scope of powers and functions delegated by the Meeting of the Shareholders to the Board of Directors for implementation of the plan.***

The 2021-2023 LTI Plan is exclusively a cash incentive plan, and there is no provision that the Shareholders' Meeting delegate specific powers and/or functions for implementing the 2021-2023 LTI Plan to the Board of Directors, which is entrusted with all powers in this regard.

The 2021-2023 LTI Plan, in fact, is submitted for the approval of the Shareholders' Meeting to the extent to which the incentive is linked to the stock market performance of Pirelli shares, as explained. Moreover, the 2021-2023 LTI Plan is included in the 2021 Policy, subject to the approval of the Shareholders' Meeting.

On 31 March 2021, the Board of Directors approved the possibility to normalise the acquisition of Cooper by Goodyear in order to calculate its impact on the TSR objective. These adjustments are included in the 2021 Policy, submitted for approval to the Shareholders' Meeting.

***3.2 The bodies/persons charged with managing the plan, and their function and responsibilities.***

After 31 December 2023, the Board of Directors of Pirelli & C., following an examination

by the Remuneration Committee, will verify the achievement of the objectives in the 2021-2023 LTI Plan and will determine - only for the Executive Vice Chairman and Chief Executive Officer, the Deputy-CEO (*pro rata temporis* with effect from the Date of Taking the Office of Deputy-CEO), the General Manager Operations of Pirelli & C. and, cumulatively, the KM (included among the persons indicated in section 1.1.), with the abstention of the beneficiaries in deliberations regarding their own remuneration - the amount of the bonus due to them, which will be paid, if the objectives have been achieved, no later than the first half of 2024.

For all other beneficiaries, the 2021-2023 LTI Plan incentive will be calculated by the Company's Human Resources & Organization Department and its Planning and Control Department.

***3.3 Any procedures in place for revising the plans, including in the event that the basic objectives are altered.***

The 2021-2023 LTI Plan provides for the possibility - subject to examination by the Remuneration Committee and an opinion by the Board of Statutory Auditors - of the Board of Directors of Pirelli & C. deciding to adjust the targets in the 2021-2023 LTI Plan (either downwards or upwards) in the event of extraordinary operations that modify the scope of consolidation of the Group and/or of far-reaching changes in the macroeconomic and business scenario. The purpose is to preserve the aims of the 2021-2023 LTI Plan and to guarantee that the objectives of the enterprise and those underlying the Management incentive systems are kept in constant alignment, in case of extraordinary circumstances, unforeseeable at the time when the plan was prepared.

Pirelli & C. Directors who participate in any capacity in the 2021-2023 LTI Plan will not cast a vote on any possible adjustment of the above-mentioned targets.

For the 2021-2023 Plan it is possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR objective. Moreover, the 2021-2023 LTI Plan, pursuant to the provisions of the 2020-2022 LTI Plan, implements the "rolling" mechanism entailing a 3-year performance period for each cycle, in order to: (i) guarantee a high degree of flexibility, bringing the performance indicators into line with the evolution of the market and company and, therefore, the Company's strategic plan for each new three-year cycle; (ii) create a recurring element of the

remuneration policy, as each year it envisages the launch of a new cycle of the LTI plan, (iii) ensure an effective retention effect with regard to the “closed” medium-long term incentive plans, (iv) support corporate sustainability in the long term.

***3.4 Description of the procedures for determining the availability and assignment of the financial instruments on which the plans are based (for example, bonus issue of shares, capital increases without pre-emption rights, purchase and sale of treasury shares).***

Not applicable.

Since the 2021-2023 LTI Plan is a monetary plan, it does not provide for the granting of financial instruments, but the payment of a cash incentive.

***3.5 Role played by each director in determining the characteristics of the cited plans; existence of any conflicts of interest involving the respective Directors.***

Pursuant to Article 2389 Italian Civil Code, the 2021-2023 LTI Plan has been approved, upon proposal of the Remuneration Committee, by the Board of Directors of Pirelli & C., subject to a favourable opinion by their Board of Statutory Auditors.

The Executive Vice Chairman and Chief Executive Officer of Pirelli & C. did not take part to the resolution approving the LTI Plan or to the resolution approving his inclusion among the beneficiaries of the LTI Plan adopted by the Board of Directors.

The Director of Pirelli & C. Giovanni Tronchetti Provera is beneficiary of the LTI Plan in his capacity as Group's Senior Manager; he did not participate in voting on the resolution that approved the LTI Plan adopted by the Board of Directors of Pirelli & C.

***3.6 Date of the decision by the competent body to propose approval of the plans to the Meeting of the Shareholders and of any proposal by the remuneration committee, where such exists.***

On 31 March 2021, the Board of Directors of Pirelli & C. – as proposed by the Remuneration Committee (held on 29 March 2021) and with the favourable opinion of the Board of Statutory Auditors – approved the new 2021-2023 LTI Plan and the Report on the remuneration policy and compensation paid, as well as the Report to the Shareholders' Meeting of Pirelli & C. called for 15 June 2021 (on single call), with the proposal to adopt the 2021-2023 LTI Plan for the Management of the Pirelli Group as regards the part based on the performance of Pirelli shares.

**3.7 Date of the decision by the competent body to grant financial instruments and of any proposal to that body made by the remuneration committee, where such exists.**

Not applicable.

**3.8 Market price recorded on the above dates for the financial instruments on which the plans are based if those instruments are traded on regulated markets.**

Part of the LTI bonus is calculated on the basis of the Total Shareholder Return with a weight of 40%, relating to a panel of selected peers made up of Continental, Michelin, Nokian, Goodyear, and Bridgestone.

The period of comparison is the second half of 2023 against the second half of 2020.

For the 2021-2023 Plan it is possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR objective.

**3.9 In the case of plans based on financial instruments traded on regulated markets, in what terms and in what way the issuer, in deciding when to assign the instruments pursuant to the plans, gives consideration to a possible concomitance of:**

**i) said grant, or any decisions in this regard by the remuneration committee, and the disclosure of any material information pursuant to Article 17 of the EU Regulation No 596/2014; for example, where such information is:**

**ii)**

**a. not already public and could have a positive impact on market quotations, or**

**b. already published and could have a negative impact on market quotations.**

Not applicable.

#### **4. CHARACTERISTICS OF THE INSTRUMENTS GRANTED**

**4.1 Description of the type of structure of the share-based compensation plans.**

Not applicable. No provision is made for assigning financial instruments. Instead, the 2021-2023 LTI Plan pays out a cash incentive to the beneficiaries depending on their achievement of the objectives indicated in sections 2.2 and 2.3.

***4.2 Indication of the period when the plan is actually implemented, including reference, where such provision is made, to any other cycles.***

The long-term incentive plans (LTI) exist alongside and throughout the entire duration of the 2021-2022/2025 Strategic Plan, with a “rolling” structure and in three-year cycles with start of each cycle year by year and with associated objectives for each three-year period, reviewed at the beginning of each year to guarantee constant alignment between the targets and the incentive scheme. The 2021-2023 LTI Plan operates with regard to the three-year period 2021-2023.

***4.3 End of the plan.***

The 2021-2023 LTI Plan shall end on 31 December 2023 and any incentive due to beneficiaries of the Plan shall be paid in the first half of 2024.

With reference to the effects of termination of the employment relationship and/or term of office during the 2021-2023 LTI Plan, see section 4.8.

***4.4 Maximum number of financial instruments, including in the form of options, assigned every tax year to each named person or to the indicated categories.***

Not applicable. The 2021-2023 LTI Plan makes no provision to grant financial instruments but rather pays out a cash incentive.

***4.5 How the plan operates and its governing clauses, specifying whether actual assignment of the instruments depends on meeting conditions or achieving certain results, including performance results; description of these conditions and results.***

Not applicable.

However, the way the 2021-2023 LTI Plan operates is described in section 4.1.

***4.6 Indication of any availability restrictions applying to the instruments granted or to instruments obtained through exercising the options, particularly deadlines for allowing or prohibiting subsequent transfer to the Company itself or to third parties.***

Not applicable.

***4.7 Description of any conditions subsequent applying to the grant of the plans if beneficiaries execute hedging transactions that can circumvent any bans on selling the financial instruments granted, even in the form of options, or on selling the***



***financial instruments obtained through exercising these options.***

Not applicable.

***4.8 Description of the effects if the work relationship is terminated.***

Where, prior to the end of the 3-year period of the plan, the employment relationship with Pirelli & C. or a Group company is terminated, for whatever reason, the beneficiary will no longer participate in the 2021-2023 LTI Plan and as a consequence the LTI bonus will not be paid out, not even pro-rata. For Directors holding specific offices to whom further specific duties have been attributed (such is the case of the Executive Vice Chairman and Chief Executive Officer, Mr. Marco Tronchetti Provera and, in case of appointment, of the Deputy-CEO Mr. Giorgio Luca Bruno) who cease to hold office due to having completed their mandate and are not appointed thereafter even as Directors, a pro-rata payment of the LTI bonus is provided for.

***4.9 Indication of any other causes that determine the annulment of the plans.***

The Regulation does not provide for causes for annulment. It should be noted that the 2021-2023 LTI Plan includes a so-called clawback mechanism.

In particular, without prejudice to the possibility of any other action permitted by the order to protect the interests of the Company, contractual agreements will be signed with the persons concerned, enabling Pirelli to claim back (in whole or in part), within three years of the payment thereof, incentives paid to the aforementioned persons who, due to wilful misconduct or gross negligence, are held responsible for (or are accomplices to) the facts, as indicated below, related to economic and financial indicators included in the Annual Financial Report that involve subsequent comparative information adopted as parameters for the determination of the variable awards in the aforementioned incentive plans:

- (i) proven significant errors resulting in non-compliance with the accounting standards applied by Pirelli, or
- (ii) proven fraudulent conduct aimed at obtaining a specific representation of Pirelli's financial and equity situation, economic result, or cash flow.

***4.10 Reasons for any provision for "redemption" by the Company of the financial instruments in the plans, pursuant to Articles 2357 et seq. Italian Civil Code; beneficiaries of the redemption, stating whether it applies only to specific categories of employees; how redemption may be affected by termination of the***

***work relationship.***

Not applicable.

***4.11 Any loans or other benefits to be granted for purchase of the shares pursuant to Article 2358 Italian Civil Code.***

Not applicable.

***4.12 Estimate of the expected cost for the Company at the date of the assignment, as may be determined on the basis of terms and conditions already established, expressed as a total amount and in relation to each instrument of the plan.***

The costs for the entire LTI bonus are included in the 2021-2022/2025 Strategic Plan objectives, so that the cost of the LTI plan is "self-financed" by fulfilment of the objectives themselves.

In particular, it is possible to estimate, on the basis of the number of beneficiaries at the Information Document date, that the total consolidated cost relating to the LTI Plan for the 3-year reference period falls between a minimum of euro zero (objectives not achieved) and a maximum of about euro 40 million if the maximum objectives envisaged in the LTI Plan are achieved.

***4.13 Indication of any dilution of capital resulting from the compensation plans.***

Not applicable.

***4.14 Any limits applying to the exercise of the voting right and to the conferral of economic claims.***

Not applicable.

***4.15 If the shares are not traded on regulated markets, all information as may assist in properly assessing the value attributable to them***

Not applicable.

***4.16 Number of financial instruments underlying each option.***

Not applicable.

***4.17 Expiry of options.***

Not applicable.

**4.18 Procedures (American/European), timing (e.g. periods valid for exercise), and clauses (e.g. knock-in and knock-out clauses) affecting exercise.**

Not applicable.

**4.19 Exercise price of the option or the ways and criteria for determining it, particularly in regard to:**

**a) the formula for calculating the exercise price in relation to a specific market price (fair market value) (e.g. exercise price of 90%, 100% or 110% of market price), and**

**b) ways of determining the market price used as a reference for determining the exercise price (e.g. last price of the day before grant, average for the day, average over the last 30 days, etc.).**

Not applicable.

**4.20 If the exercise price is not equal to the market price determined as indicated in section 4.19.b (fair market value), reasons for this difference.**

Not applicable.

**4.21 Criteria adopted for setting different exercise prices for different beneficiaries or categories of beneficiaries.**

Not applicable.

**4.22 If the financial instruments underlying the options are not traded on regulated markets, indication of the value attributable to the underlying instruments or the criteria used to determine this value.**

Not applicable.

**4.23 Criteria for the adjustments necessary after extraordinary capital operations and other operations that alter the number of underlying instruments (capital increases, extraordinary dividends, consolidation or splitting of the underlying shares, merger and demerger, conversion into other classes of shares, etc.).**

In the event of extraordinary capital operations that modify the scope of consolidation of the Group and/or far-reaching changes in the macroeconomic and business scenario, unforeseeable at the time when the plan was prepared, the Company shall consider proposing to the Board of Directors a possible adjustment of the target levels (downwards

or upwards) in the 2021-2023 LTI Plan, in order to protect the value and aims of the Plan, in this way guaranteeing that the business aims and those underlying the management incentive arrangements are kept constantly aligned (see also section 3.3 above).

For the 2021-2023 Plan it is also possible to normalise the potential effects on the final result of the acquisition of Cooper by Goodyear (a company included in the reference panel for the TSR objective) at the start of 2021, in order to calculate its impact on the TSR objective.

**4.24 Share issuers shall append the accompanying Table 1, filled out as follows:**

- a) in all cases, the parts as applicable in section 1 of both boxes 1 and 2;**
- b) the parts as applicable in section 2 of both boxes 1 and 2, on the basis of the characteristics already defined by the Board of Directors.**

**Regarding the members of the Board of Directors or the Management Board, the general managers, and other managers with strategic responsibility of the listed issuer, the data relevant to Section 1, Table 1, and the information sought in paragraph 1 under:**

- section 1.1;**
- points a) and b) of sub-section 1.3;**
- points a) and b) of sub-section 1.4;**

Not applicable.

Since the 2021-2023 LTI Plan is a monetary plan, it does not provide for the granting of shares and/or financial instruments, but rather the payment of a cash incentive.